From:	Stan Sokolowski <ssokolowski@cifc.com>
To:	Stan Sokolowski <ssokolowski@cifc.com>
CC:	
Date:	Thu, 12/3/2015 9:34:34 PM
Subject:	Daily Update (mid day verison - sorry for the delay)

Quote of the Day

"Don't force a trade. It ends bad." – Anonymous

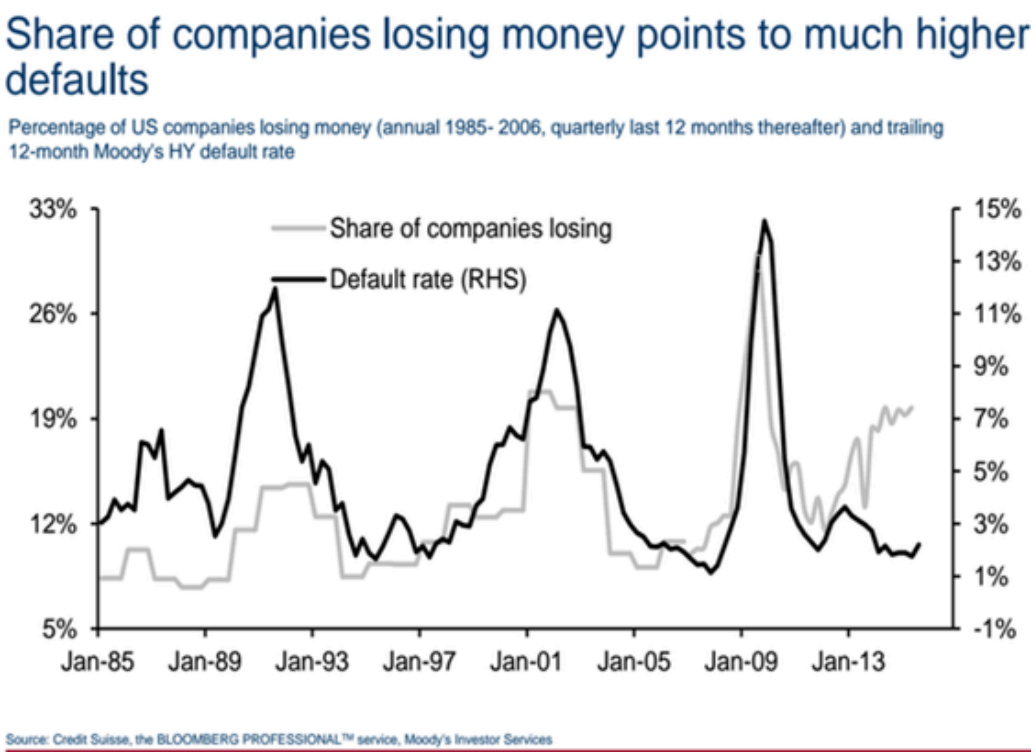
- Risk is swinging around this morning as the policy component of the Axis of Volatility™ is driving sentiment this morning. The ECB just announced that they will further cut their deposit rate into negative territory, now -0.3% (i.e. deposit your money here and it will cost you…). Draghi will announce further measures at the 8:30am (EST) news conference. On the other side the pond, Yellen furthered the likelihood that liftoff will occur later this month (however she did tie rate increases and the pace thereof to progress on inflation which has been trending way below their expectations for years now). The tan book was out yesterday too. The Fed says the economy great at a "modest pace" in most districts. Goldilocks for the credit!!! The 10 year is selling off as its yield climbs today. For those who forced a trade by chasing Tuesday's rally, they were run over by Wednesday's fade. The chop continues… In other news, the Dollar is getting hammered (Yellen must have said something this morning but I don't see it yet), oil continues to fade on fundamental headlines and rally technical headlines (up today on OPEC rumors), S&P cut credit ratings on the US's largest banks, stories on the challenges / performance of hedge funds continue and Blythe Masters gets a look from Barclays to run the investment bank (she declines). Futures: -12.5. 10 year: 2.30%

- Data: Claims: 269k (vs. 269k exp). US Service PMI: 56.1 (vs. 56.5 exp). ISM: 55.9 (vs. 58 exp). Factory Orders: 0.2% (vs. 0.2% exp) and Durable Goods 2.9%. Nothing to really see here as the data seems consistent with Fed messaging. Tomorrow is Jobs Friday!...

- Credit: The loan market has stabilized in recent days but is lagging equities and the fresh high yield rally. The loan market continues to be characterized by technical challenges as CLO formation is muted and retail outflows continue. On the other side of the equation is supply and SMA formation. Another theme we are seeing in the loan market is incremental add-ons as issuers seek capital for specific uses (please bring ideas from your industry sectors to Claudette). One ongoing concern is the number of liquidations occurring in the fund management world and how credit prices could be further negatively impacted by these closings / redemptions. Participants are on high alert. In the interim, the high quality trade continues while high beta / low quality remains in an illiquid, left-for-dead vortex. This dispersion exists in other markets as well including investment grade CDS where high quality names are trading as tight as 20bps while commodity/metal names trade at 1000++++. Until we get signals of a change in technical, high quality will win the day (i.e. don't be a risk pig until the market signals it…). Yesterday, 75% of a $395 BWIC traded (good as an indicator of demand but potentially concerning in that it could be representative of further outflows). On the other side the equation, the market has been seeing some OWICs too. Is this indicative of poor liquidity and a new normal for trading?...

    - Feds Win Fight Over Risky-Looking Loans http://www.wsj.com/articles/feds-win-fight-over-risky-looking-loans-1449110383

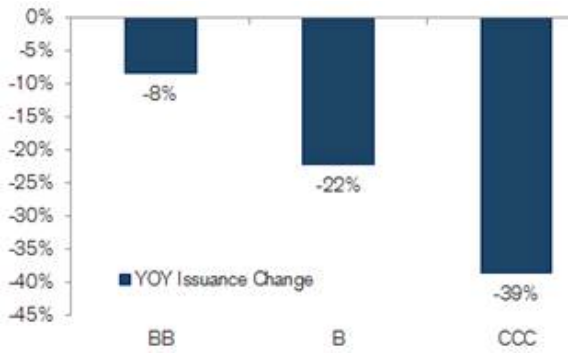
Hmmmmmmmmmmmmmmm……



High Yield Bonds in November

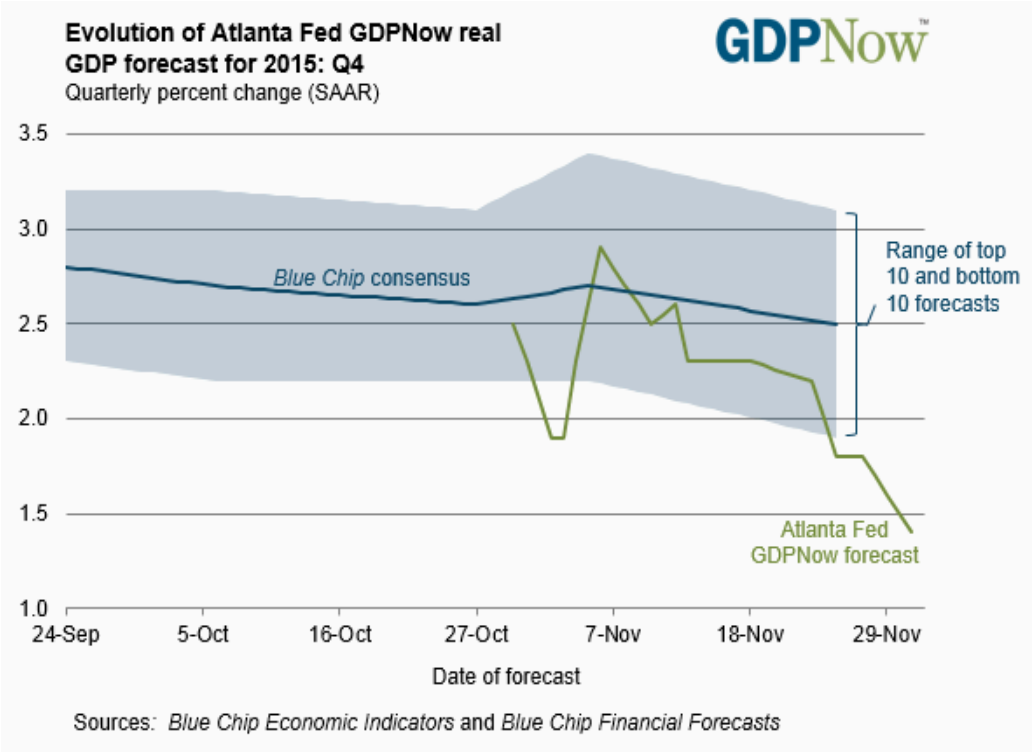
High Quality vs. Low Quality in HY Bonds

HY New Issue performance
(Anyone see the theme we have been droning on about for awhile?...)

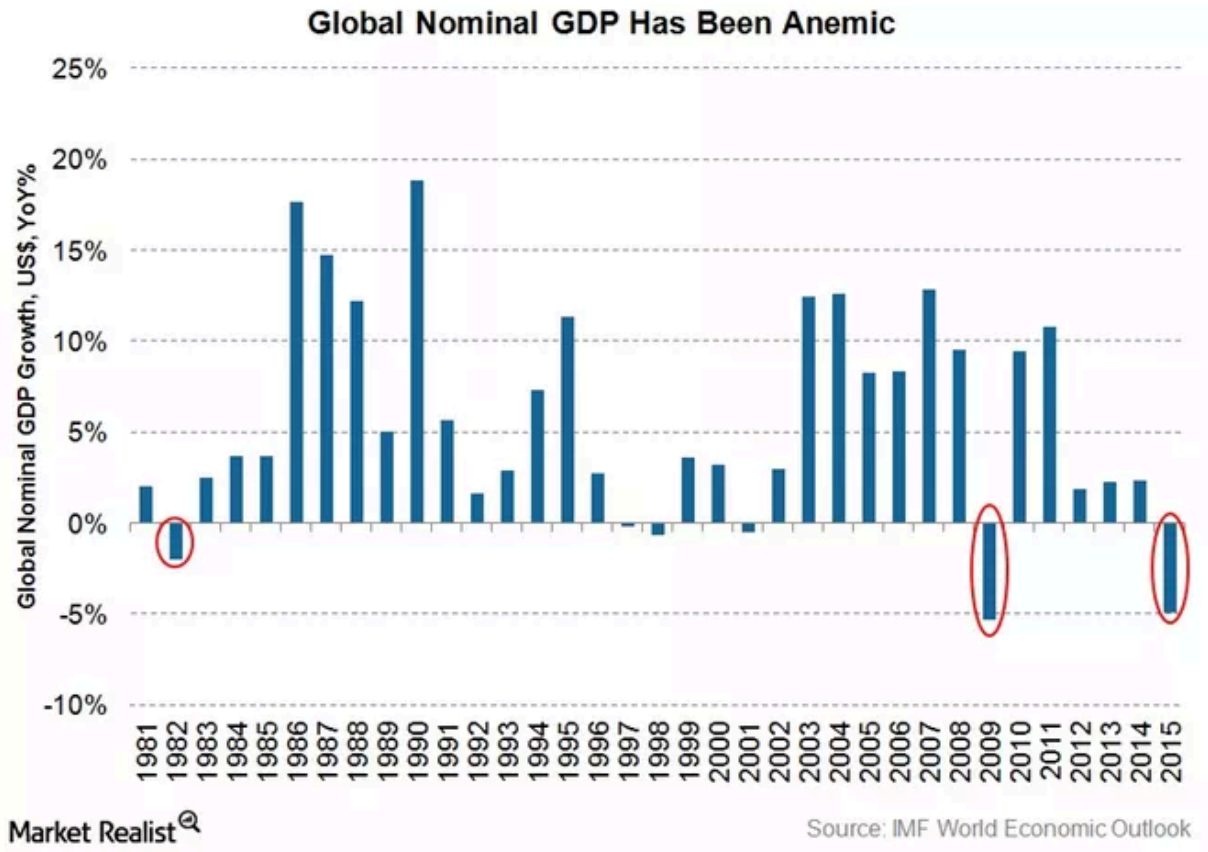


- Charts of the day:

Yikes!



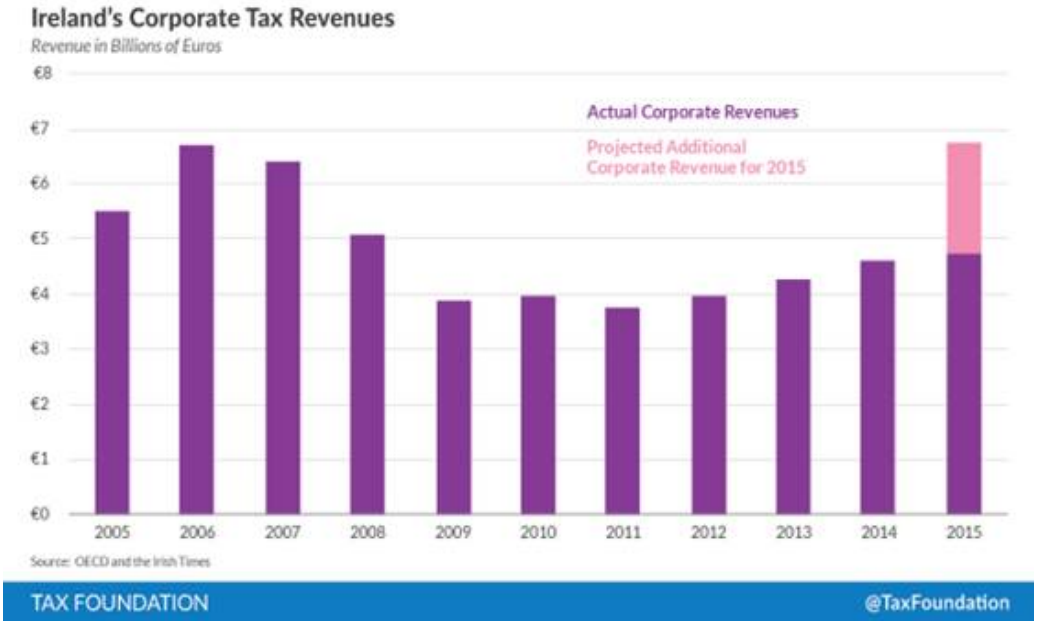
I have a headache…



German 2 year yields (-45bps)……..

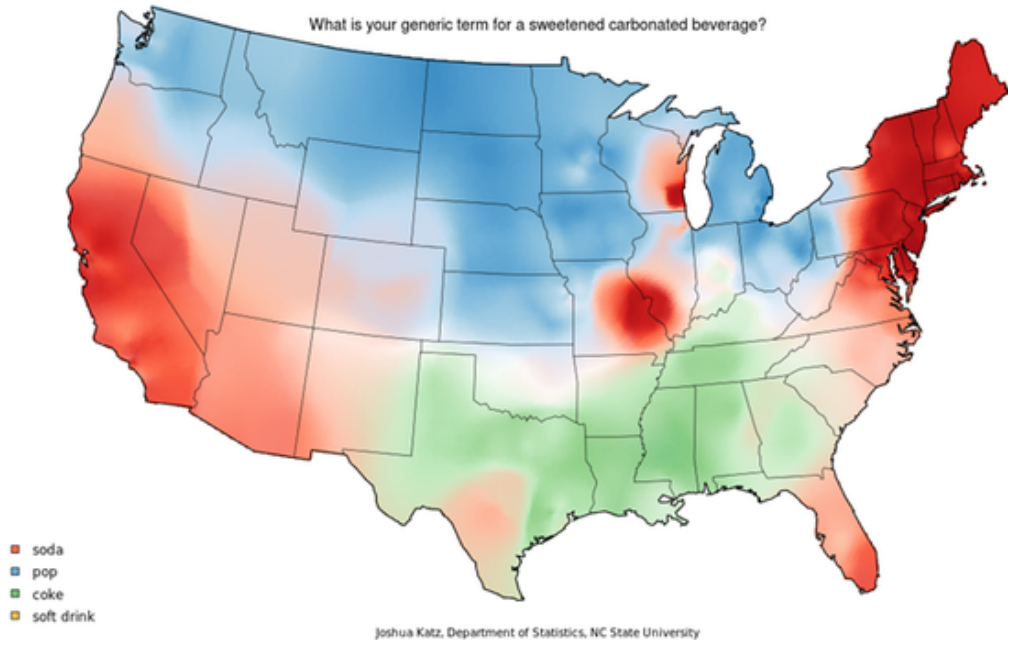
Buy US$ loans Switzerland!!!

Do you mean that if you charge less you can sell more?.....



- Other:
    - Why You Should Never Force a Trade http://www.huffingtonpost.com/paul-scolardi/why-you-should-never-forc_b_8400944.html
    - All the smart guys got run over. I feel bad for the investors that got drawn into these trades. http://www.wsj.com/articles/bottom-keeps-falling-for-energy-debt-investors-1449091988
    - Macro hedge fund investors sticking w/the strategy despite poor performance http://www.reuters.com/article/2015/12/03/uk-hedgefunds-performance-macro-idUSKBN0TM12320151203?feedType=RSS&feedName=hedgeFundsNews#MLGxyUU5Sq2UX6F2.97
    - Swipe right… (more challenges to the banking world that are being driven by technology) http://www.bloomberg.com/news/articles/2015-12-03/it-s-tinder-for-m-a-swipe-right-if-you-want-to-buy-this-company
    - Can't we all just be friends?... http://www.wsj.com/articles/u-s-to-send-special-forces-to-syria-1446216062

- It's called "Pop" where I come from =>



- HY: 102 7/16 (-1/4)
- IG: 83 1/8 (+1)
- CSLLI: 0.01% mtd / 0.58% ytd

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